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CORRECTED COPY (TAGS AND DECL INSTR)

E.O. 12958: DECL: 5/30/12  
TAGS: PARM, PREL, SR, IQ, UN  
SUBJECT: ALLEGATIONS OF MANIPULATION OF THE IRAQI OIL-FOR-FOOD PROGRAM BY THE UNITED NATIONS DEVELOPMENT PROGRAM

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CLASSIFIED BY AMBASSADOR MONTGOMERY FOR REASONS 1.5  
(B) AND (D).

## SUMMARY

1. ~~(S)~~ ON 29 MAY 2002, DURING A MEETING WITH THE SWEDISH  
AMBASSADOR TO YUGOSLAVIA, [

[ ] ALLEGED THAT REPRESENTATIVES OF THE  
UNITED NATIONS DEVELOPMENT PROGRAM (UNDP) WERE ENCOURAGING  
VIOLATIONS OF THE IRAQI OIL-FOR-FOOD PROGRAM. [ ] SAID  
THAT ABB SUBMITTED THE LOWEST BIDS FOR AN ELECTRICAL HIGH AND

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LOW VOLTAGE PROJECT (BID ENRP/Q-004001-ERBIL AND DOHUK SUBSTATIONS STAGE 2 (Z67 AND Z68)) IN NORTHERN IRAQ, BUT DID NOT RECEIVE THE CONTRACT FOR THE PROJECT. HE ALLEGED THAT UNDP DID NOT AWARD THE CONTRACT TO ABB BECAUSE ABB REFUSED TO INCLUDE A MICROCOMPUTER BASED SUBSTATION CONTROL SYSTEM IN THE TERMS OF THE CONTRACT.

ILLEGAL COMPUTER SYSTEM

2. ~~(S)~~ [ ] SAID THAT ABB EXCLUDED THE COMPUTER SYSTEM BECAUSE IT WAS NOT AUTHORIZED FOR REEXPORT BY THE OFFICE OF FOREIGN ASSET CONTROL (OFAC) OF THE U.S. DEPARTMENT OF TREASURY, FOR ANTI-TERRORISM REASONS (4A994). HOWEVER, THE ABB REPRESENTATIVE SAID THAT, IN EARLY SEPTEMBER 2001, THE UNDP REPRESENTATIVE IN THE NEW YORK, MICHELLE GOTIER, CHALLENGED THE LEGALITY OF THE U.S. REEXPORT LEGISLATION. GOTIER ALSO PROPOSED THAT ABB ENGAGE THE ASSISTANCE OF AN IRAQI THIRD-PARTY FOR THE REEXPORT OF THE HARDWARE AND SOFTWARE REQUIRED FOR THE MICROCOMPUTER BASED SUBSTATION

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CONTROL SYSTEM.

IRAQ WANTS A CUT

3. ~~(S)~~ [ ] IN NOVEMBER 2001, [ ] MET WITH UNIDENTIFIED IRAQI OFFICIALS IN BAGHDAD REGARDING THE CONTRACT. THE OFFICIALS REQUESTED THAT ABB ADD TEN PERCENT TO THEIR CONTRACT AS A SURCHARGE TO BE COLLECTED BY THE IRAQI GOVERNMENT. GOTIER SUBSEQUENTLY TOLD [ ] THAT IF ABB DID NOT INCLUDE THE COMPUTER SYSTEM AND THE TEN PERCENT SURCHARGE, UNDP WOULD NOT AWARD THE CONTRACT TO ABB.

COMMENT

4. ~~(S)~~ [ ] IS DIRECTLY CHARGING THE UNDP WITH DELIBERATELY REQUIRING INTERNATIONAL COMPANIES TO VIOLATE U.S. EXPORT CONTROL REGULATIONS IN ORDER TO BE CONSIDERED FOR LUCRATIVE CONTRACTS IN IRAQ. ABB WARNS THAT THEY ARE UNWILLING TO DO SO, GIVEN THE IMPLICATIONS TO THEIR BUSINESS TIES WITH THE U.S., BUT THAT OTHER COMPANIES ARE, AND WILL DO SO. ANY HELP OR FEEDBACK USUN OR WASHINGTON COULD PROVIDE REGARDING THIS ALLEGED INCIDENT WOULD BE GREATLY APPRECIATED. [ ] MONTGOMERY

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E.O. 12958: DECL: 06/03/2012

TAGS: ETTC, PREL, ETRD, UNSC, IZ

SUBJECT: ALLEGATIONS OF MANIPULATION OF THE IRAQI  
OIL-FOR-FOOD PROGRAM BY THE UNITED NATIONS DEVELOPMENT  
PROGRAM

REF: BELGRADE 001368

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REASONS 1.5 (B) AND (D)

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1. ~~(C)~~ DEPARTMENT REQUESTS USUN TO APPROACH APPROPRIATE UN OFFICIALS REGARDING ALLEGATIONS CONCERNING THE MANIPULATION OF UN OIL-FOR-FOOD CONTRACTS BY REPRESENTATIVES OF THE UNITED NATIONS DEVELOPMENT PROGRAM (UNDP). THE ALLEGATIONS CHARGE THAT THE UNDP DELIBERATELY REQUIRES INTERNATIONAL COMPANIES TO VIOLATE U.S. EXPORT CONTROL REGULATIONS IN ORDER TO BE CONSIDERED FOR LUCRATIVE CONTRACTS IN IRAQ, AND THAT A UNDP OFFICIAL ENCOURAGED A FIRM TO PAY AN ILLEGAL SURCHARGE TO THE IRAQI GOVERNMENT. USUN MAY USE THE FOLLOWING POINTS WITH APPROPRIATE UN OFFICIALS:

2. ~~(C)~~ - RELEASABLE TO OIP AND UNDP SENIOR OFFICIALS)

-- WE ARE CONCERNED ABOUT INFORMATION THAT A STAFF MEMBER OF THE UNITED NATIONS DEVELOPMENT PROGRAM (UNDP) MAY HAVE GIVEN TO A COMPANY REGARDING AN ELECTRICITY PROJECT FOR NORTHERN IRAQ.

-- THE PROJECT IN QUESTION IS ELECTRICAL HIGH AND LOW VOLTAGE  
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PROJECT (BID ENRP/Q-004001-ERBIL AND DOHUK SUBSTATIONS).

-- OUR INFORMATION IS THAT IN EARLY SEPTEMBER 2001, A COMPANY INTERESTED IN THE PROJECT TOLD UNDP THAT IT COULD NOT PROVIDE THE HARDWARE AND SOFTWARE REQUESTED BECAUSE THEY WERE U.S.-CONTENT PRODUCTS THAT ARE NOT AUTHORIZED FOR RE-EXPORT TO IRAQ UNDER U.S. EXPORT CONTROL REGULATIONS. ALLEGEDLY, IN RESPONSE, THE UNDP REPRESENTATIVE IN NEW YORK, MICHELLE GOTIER, QUESTIONED THE LEGALITY OF THE U.S. REEXPORT LEGISLATION AND PROPOSED THAT THE COMPANY ENGAGE THE ASSISTANCE OF AN IRAQI THIRD-PARTY FOR THE REEXPORT OF THE HARDWARE AND SOFTWARE REQUIRED.

-- IN ADDITION, THE COMPANY SAYS THAT IN LATE 2001, IRAQI OFFICIALS REQUESTED THAT THE COMPANY ADD TEN PERCENT TO THEIR CONTRACT AS A SURCHARGE TO BE COLLECTED BY THE IRAQI GOVERNMENT. ALLEGEDLY, UNDP STAFFER GOTIER SAID THAT IF THE COMPUTER SYSTEM AND THE 10 PERCENT SURCHARGE WERE NOT INCLUDED, UNDP WOULD NOT AWARD THE CONTRACT TO THE COMPANY.

-- IT IS INAPPROPRIATE FOR STAFF OF THE UN TO SUGGEST WAYS TO EVADE EXPORT CONTROL LAWS. EVEN MORE TROUBLING IS THE POSSIBILITY THAT A UN STAFF MEMBER MAY HAVE ENCOURAGED AN ILLEGAL SURCHARGE PAYMENT TO IRAQI AUTHORITIES, A CLEAR VIOLATION OF UN SECURITY COUNCIL RESOLUTIONS.

-- I ASK THAT YOU LOOK INTO THIS MATTER AND INFORM ME OF WHAT

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YOU FIND. FURTHER I URGE THAT STAFF MEMBERS INVOLVED IN  
PROJECTS FOR IRAQ BE REMINDED THAT COMMISSIONS, SURCHARGES  
AND SIMILAR PAYMENTS TO IRAQ OR ITS REPRESENTATIVES ARE  
STRICTLY PROHIBITED UNDER UN SECURITY RESOLUTIONS, DESPITE

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THE FACT THAT IRAQI AUTHORITIES ROUTINELY DEMAND SUCH  
PAYMENTS.  
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E.O. 12958: DECL: 08/02/2007  
TAGS: ETTC, PREL, UNSC, IZ

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PAGE 02 USUN N 01939 01 OF 02 022325Z  
SUBJECT: UN/IRAQ: UNDP OFFICIALS DENY HAVING MANIPULATED  
THE UN OIL-FOR-FOOD CONTRACT APPLICATION-PROCESS

REF: STATE 107865

CLASSIFIED BY: [ ]  
1.5 (B) AND (D)

] REASONS: DC

1. ~~(C)~~ SUMMARY: AFTER NUMEROUS SCHEDULING DIFFICULTIES, USUN  
POLOFF FINALLY MET JULY 10 AND AGAIN AUGUST 2 WITH KEY UNDP  
OFFICIALS TO RAISE U.S. CONCERNS OVER ALLEGED INAPPROPRIATE  
UNDP MANIPULATION OF THE UN OIL-FOR-FOOD CONTRACT PROCESS

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(REFTEL). IN RESPONSE, UNDP AUTHORITIES FOCUSED ON WHAT THEY CLAIMED WERE EFFORTS BY THE COMPANY IN QUESTION, ABB-SWEDEN, TO CIRCUMVENT ESTABLISHED UNDP CONTRACT BIDDING PROCEDURES. UNDP OFFICIALS CATEGORICALLY DENIED ANY ATTEMPT: A) TO ENCOURAGE ABB-SWEDEN TO CIRCUMVENT U.S. EXPORT CONTROL REGULATIONS, AND, B) TO ADVISE ABB-SWEDEN THAT THE ONLY AVAILABLE AVENUE FOR SECURING A UNDP CONTRACT WAS TO PAY A SURCHARGE FEE TO THE IRAQI GOVERNMENT. END SUMMARY.

2. ~~(C)~~ ACTING ON INSTRUCTIONS (REFTEL), USUN POLOFF MET JULY 10 WITH UN DEVELOPMENT PROGRAM (UNDP) DEPUTY ASSISTANT ADMINSTRATOR AND DEPUTY REGIONAL DIRECTOR FOR ARAB STATES OSCAR FERNANDEZ-TARANCO FOLLOWING FIVE EARLIER UNSUCCESSFUL ATTEMPTS TO ARRANGE AN APPOINTMENT, COMPLICATED BY THE EXTENDED ABSENCE OF KEY UNDP OFFICIALS WHO WERE ON SUMMER LEAVE. POLOFF DELIVERED REFTTEL TALKING POINTS, UNDERSCORING U.S. CONCERNS OVER ALLEGED COMMENTS BY UNDP OFFICIALS ADVOCATING CIRCUMVENTION OF U.S. EXPORT CONTROL REGULATIONS AND PAYMENT OF A TEN PER CENT SURCHARGE TO IRAQI GOVERNMENT

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OFFICIALS. (COMMENT: FERNANDEZ-TARANCO APPEARED UNSETTLED BY THE SERIOUS NATURE OF THE ALLEGATIONS, YET REMAINED INSTINCTIVELY DEFENSIVE OF UNDP ACTIONS. END COMMENT). HE VOICED DOUBT THAT ANY UNDP EMPLOYEE WOULD VOICE AN OPINION ON THE DOMESTIC LEGISLATION OF A MEMBER-STATE, BUT PROMISED TO INVESTIGATE THE MATTER FURTHER, THEN CONTACT POLOFF FOR A FOLLOW-UP MEETING.

3. ~~(C)~~ POLOFF'S PROMISED FOLLOW-UP DISCUSSION WITH FERNANDEZ-TARANCO OCCURRED AUGUST 2. UNDP CHIEF OF THE IRAQ PROGRAM MR. MICHEL GAUTIER, THE INDIVIDUAL ALLEGED IN STATE'S GUIDANCE CABLE TO HAVE MADE INAPPROPRIATE REMARKS TO OFFICIALS FROM A PRIVATE COMPANY, ACCOMPANIED FERNANDEZ-TARANCO. GAUTIER IDENTIFIED ABB-SWEDEN AS THE COMPANY THAT HAD SUBMITTED A BID FOR A CONTRACT INVOLVING AN ELECTRICAL HIGH AND LOW VOLTAGE PROJECT FOR NORTHERN IRAQ. GAUTIER EXPLAINED THAT ABB-SWEDEN'S BID DID NOT/NOT INCLUDE QUOTES ON CONTROL SYSTEMS NEEDED FOR THE ELECTRICITY PROJECT. ALTHOUGH SUCH ITEMS COULD HAVE BEEN PROVIDED BY OTHER ABB AFFILIATES LOCATED IN GERMANY AND ITALY THAT WOULD NOT HAVE BEEN SUBJECT TO U.S. EXPORT CONTROL REGULATIONS, GAUTIER SAID ABB-SWEDEN DELIBERATELY SUBMITTED A BID APPLICATION WITHOUT CONTROL SYSTEM QUOTES, CITING A PRIOR INCIDENT IN THE LATE 1980'S WHEN USG OFFICIALS PENALIZED ABB-SWEDEN FOR HAVING IMPROPERLY SHIPPED CONTROLLED GOODS TO THE FORMER SOVIET UNION IN VIOLATION OF U.S. EXPORT CONTROL RULES.

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4. ~~(C)~~ GAUTIER REPORTED THAT UNDP REPRESENTATIVES MET IN AMMAN, JORDAN SEPTEMBER 4, 2001 WITH ABB-SWEDEN OFFICIALS TO DISCUSS IN GENERAL TERMS UNDP'S INVITATION TO BID (ITB) PROCESS. GAUTIER CLAIMED THE DISCUSSION DID NOT/NOT FOCUS ON

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 THE SPECIFICS OF ABB-SWEDEN'S BID ON THE ELECTRICITY PROJECT FOR NORTHERN IRAQ, SINCE SUCH A DISCUSSION WAS PROHIBITED BY UNDP CONTRACT BID REGULATIONS. NEVERTHELESS, GAUTIER SAID ABB-SWEDEN ATTEMPTED TO QUESTION UNDP CONTRACT SELECTION PRACTICES, PROMPTING THE UNDP OFFICIALS TO WRITE UP THE INCIDENT FOLLOWING THE MEETING AS AN ATTEMPT BY A COMPANY SUBMITTING A CONTRACT TO INFLUENCE THE DECISION IN DIRECT VIOLATION OF UNDP REGULATIONS.

5. ~~(C)~~ GAUTIER CLAIMED ABB-SWEDEN SENIOR OFFICIALS BRUCE MAYER SUBSEQUENTLY TRAVELED TO NEW YORK, WHERE HE MET WITH GAUTIER AND TWO OTHER UNDP OFFICIALS AT UNDP HEADQUARTERS IN MANHATTAN. GAUTIER DENIED HAVING EVER MADE A STATEMENT ADVOCATING ABB-SWEDEN'S CIRCUMVENTION OF U.S. RE-EXPORT RULES. GAUTIER ALSO DENIED EVER HAVING DISCUSSED THE ISSUE OF THE IRAQI GOVERNMENT'S REPORTED IMPOSITION OF A SURCHARGE ON CONTRACTS DESTINED FOR IRAQ. POLOFF UNDERScored U.S. CONCERNS, ESPECIALLY WITH REGARD TO THE SURCHARGE ISSUE, STATING THAT GAUTIER AND/OR OTHER UNDP OFFICIALS SHOULD REPORT ANY EVIDENCE OF GOI EFFORTS TO IMPOSE A SURCHARGE ON OIL-FOR-FOOD CONTRACTS TO THE IRAQ SANCTIONS 661 COMMITTEE. GAUTIER AND FERNANDEZ-TARANCO PROMISED TO KEEP POLOFF INFORMED OF ANY FUTURE UNDP CONTACT WITH ABB-SWEDEN. FERNANDEZ-TARANCO SPECULATED THAT THE ISSUES RAISED BY POLOFF INVOLVED A COMPANY THAT ITSELF WAS TRYING TO MANIPULATE UNDP

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E.O. 12958: DECL: 08/02/2007

TAGS: ETTC, PREL, UNSC, IZ

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PAGE 02 USUN N 01939 02 OF 02 022325Z  
SUBJECT: UN/IRAQ: UNDP OFFICIALS DENY HAVING MANIPULATED  
THE UN OIL-FOR-FOOD CONTRACT APPLICATION PROCESS

CONTRACT BIDDING RULES TO WIN APPROVAL FOR THEIR APPLICATION  
ON THE ELECTRICITY PROJECT IN THE NORTH. FERNANDEZ-TARANCO  
CLOSED BY NOTING THAT ABB-SWEDEN WAS NOT AWARDED THE CONTRACT  
IN QUESTION.

6. ~~(C)~~ COMMENT: USUN POLOFF SURMISES THAT UNDP IRAQ PROGRAM  
CHIEF GAUTIER LIKELY SUGGESTED THAT ABB-SWEDEN FIND AN  
ALTERNATE SOURCE FOR THE CONTROL SYSTEMS PORTION OF THEIR  
CONTRACT BID. POLOFF ALSO BELIEVES GAUTIER, DESPITE HIS  
DENIALS, LIKELY REFERRED TO GOI DEMANDS FOR A SURCHARGE.  
HOWEVER, POLOFF BELIEVES THAT IN LIGHT OF THE USUN DEMARCHE,  
GAUTIER AND FERNANDEZ-TARANCO WILL EXERCISE FAR GREATER  
CAUTION IN THE FUTURE IN DISCUSSING CONTRACT ISSUES WITH  
POTENTIAL BIDDERS. POLOFF CONSIDERS THE USG DEMARCHE TO HAVE  
SUCCEEDED IN PUTTING UNDP ON NOTICE NOT TO DEVIATE FROM  
AUTHORIZED PRACTICE, ESPECIALLY WITH REGARD TO CONTRACT  
APPLICATIONS FOR GOODS DESTINED FOR IRAQ. END COMMENT.

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